

## DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL**

**DATE: FEBRUARY 25, 2010**

**SUBJECT: CASE NO. AVU-G-10-02 (Avista)  
SCHEDULE 191 – ENERGY EFFICIENCY RIDER ADJUSTMENT**

### Gas DSM

On February 16, 2010, Avista Corporation dba Avista Utilities (Avista; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting a \$1.6 million (2.6%) increase in the Company's natural gas Schedule 191 – Energy Efficiency (Public Purpose) Rider Adjustment. The Rider Adjustment is designed to recover costs incurred by the Company associated with providing natural gas energy efficiency services and programs to retail customers taking service under Schedules 101, 111 & 112 and 131 & 132. The proposed effective date is April 1, 2010.

As reflected in the Company's Application, the proposed increase is necessary to continue to fund ongoing natural gas efficiency programs consistent with Avista's most recent Natural Gas Integrated Resource Plan (IRP). It will also serve to amortize a deficiency balance (\$1,375,435 end of January 2010) resulting from the Company's response to higher than expected customer demand for services. The proposed increase in revenues for DSM will not increase or decrease the earnings of the Company. The proposed rate will have an average monthly bill impact to residential customers using 66 therms of \$1.52.

The 2009 natural gas savings target for Idaho and Washington was 1.6 million therms. Over 2 million therms were saved. Customers look to the Company's DSM programs

for assistance in responding to increased natural gas prices. Existing and planned programmatic expenditures by the Company are exceeding tariff rider revenues.

Schedules 91 (electric) and 191 (gas) public purpose funds support DSM programs described in Company tariff Schedules 90 and 190. These programs include but are not limited to the following measures:

- Appliance Measures
- Compressed Air Measures
- HVAC Measures
- Industrial Measures
- Lighting Measures
- Maintenance Measures
- Motors Measures
- Renewable Technologies
- Northwest Energy Efficiency Alliance Participation
- Shell Measures
- Sustainable Building Measures

The Company's programs are based on providing a financial incentive or "rebate" for cost-effective efficiency measures installed by customers with a simple payback of greater than one year. This includes over 300 measures packaged into over 30 programs.

Avista reports that it has long encouraged the direct-use of natural gas by its electric customers. The Company is continuing this effort with residential rebates for the conversion of electric-to-natural gas space and water heat loads as well as a broad program for any non-residential electric-to-natural gas conversions meeting specified criteria for relative British Thermal Unit (BTU) efficiency. The cost-effective potential for these measures has been incorporated into Avista's IRP effort and are contained within the identified acquisition goal. Avista's residential programs include high efficiency equipment, electric-to-natural gas conversions, compact florescent lights (CFLs), "second" refrigerator recycling, weatherization, rooftop dampers, as well as providing educational assistance through various community events.

For non-residential customers, in addition to prescriptive programs, Avista offers "site-specific" programs. Site-specific programs are customized to the customer premise. The site-specific offering provides incentives on commercial and industrial energy efficiency measures with a simple financial payback exceeding one year. This is implemented through site analysis, customized diagnosis, and incentives determined for savings generated by the

customers' premise or process. Commercial and industrial programs available to Avista customers include:

- Energy Smart Commercial Refrigeration
- Lighting and Controls
- Commercial Food Service Equipment
- Building Retro-commissioning
- Premium Efficiency Motors
- Power Management for Personal Computer (PC) Networks
- LEED Certification, Commercial HVAC Variable Frequency Drives (VFDs)
- Refrigerated Warehouses
- Vending Machine Controllers
- Demand Controlled Ventilation
- Side-stream Filtration
- Steam Trap Replacement and Repair
- Multi-family Development
- LED Traffic Signals
- Electric to Natural Gas Water Heater Conversions
- Commercial Clothes Washers

In addition to Avista's prescriptive and site-specific programs, the Company funds and participates in the activities of the Northwest Energy Efficiency Alliance (NEEA). NEEA focuses on using a regional approach to obtain electric efficiency through the transformation of markets for efficiency measures and services. Historically, Avista has received approximately 2.1 aMW of savings in its service territory from NEEA programs.

The Company provided \$1.9 for low-income weatherization in 2009 in Idaho and Washington. Effective October 1, 2008, in Order No. 30647 in Case Nos. AVU-E-09-06 and AVU-G-09-04, \$465,000 was directed to Idaho electric and natural gas low-income customers and \$25,000 was provided to Idaho (CAP) agencies for the purpose of underwriting agency personnel assisting in low-income outreach and conservation education. The low-income weatherization portfolio of the Company represents approximately 6.3% of its total energy efficiency budget excluding utility support.

Avista reports that it is in the process of enhancing its evaluation, measurement and verification (EM&V) protocols. The Company plans to initiate a collaborative, beginning in March 2010 to review EM&V issues and will provide a report to the Commission on or before September 1, 2010. That report will describe Avista's enhanced EM&V protocols.

As described in an EM&V draft plan circulated by the Company for review by its Triple E Board in November 2009, EM&V is intended to reflect all of the analyses necessary to supply information to stakeholders to adequately determine the prudence of Avista's DSM programs. EM&V includes "impact," "process," "market," and "cost test" test analyses. The Company has regularly convened the stakeholders forum known as the External Energy Efficiency Board (Triple E). These meetings have included customer representatives, Commission Staff members and individuals from the environmental communities. The increased funding requested in the Company's Application will continue to be subject to the existing cost-effectiveness tests.

Installing energy efficiency measures, the Company contends, is a direct action customers can take to respond to a period of increasing energy prices facing the Pacific Northwest and the country as a whole. The Company's energy efficiency programs are being used by its customers at unprecedented levels. Customer participation continues to exceed current funding. The Company's request trues-up its natural gas tariff rider to a level to meet customer demand and reduce existing negative balances, while providing funding for future energy efficiency programs. Energy efficiency, the Company contends, remains the lowest cost new resource and all customers benefit by its acquisition.

The energy charges of the individual rate schedules under the Company's Application are to be increased by the following amounts:

	<u>Existing</u>	<u>Proposed</u>
Schedule 101 (General Service)	\$0.03458	\$0.05762 per therm
Schedules 111 & 112 (Large General Service)	\$0.03045	\$0.05038 per therm
Schedules 131 & 132 (Interruptible Service)	\$0.02552	\$0.04020 per therm

**Electric DSM**

Current projections of the Company indicate that the existing electric energy efficiency tariff rider Schedule 91 may lead to a small negative balance of approximately \$600,000 at the close of 2010 based upon the current budget. This number, the Company contends, is minor relative to the potential variation in customer demand caused by weather and other factors beyond the Company's control. Therefore, Avista is proposing to retain the

existing electric Schedule 91 tariff rider rates. Avista's 2009 local energy efficiency savings were over 82 million kilowatt hours (kWh) (approximately 9.4 aMW) or 143% of the Company's IRP non-regional efficiency target goal for Idaho and Washington in 2009 (57.2 million kWh). As of the close of January 2010, Avista's electric DSM tariff rider balance for Idaho was a negative \$2,417,322.

**COMMISSION DECISION**

Avista has filed an Application requesting a \$1.6 million (2.6%) increase in the Company's natural gas Schedule 191 Energy Efficiency Rider Adjustment. The Company requested effective date is April 1, 2010. Staff recommends that the Company's Application be noticed and the proposed effective date be suspended to allow sufficient time for Staff investigation audit and analysis. Staff will bring the matter back to the Commission with a further procedural recommendation as its investigation progresses. Does the Commission find the proposed procedure acceptable?



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Scott Woodbury  
Deputy Attorney General

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